

MINUTES

Executive Board



Senator Gary Cammack, Chair
Representative Dean Wink, Vice Chair
Representative Spencer Hawley, Ranking Minority Member

**Fourth Meeting, 2016 Interim
Monday, June 13, 2016**

**State Investment Council Office
Sioux Falls, SD**

The fourth meeting of the Executive Board for the 2016 Interim was called to order by **Senator Gary Cammack** at 10:30 a.m. at the State Investment Council Office in Sioux Falls, South Dakota.

A quorum was determined with the following members answering the roll call: Senator Gary Cammack, Chair; Representative Dean Wink, Vice Chair; Representative Spencer Hawley, Ranking Minority Member; Senators Phyllis Heineman, Scott Parsley, Billie Sutton, and Jim White; Representatives Jim Bolin, Brian Gosch (via telephone), Don Haggar, Roger Hunt, and Fred Romkema. Those excused: Senator Corey Brown, Senator David Omdahl, and Representative Tim Johns.

Staff members present included Jason Hancock, Director; Sue Cichos, Deputy Director; Doug Decker, Code Counsel; Annie Mehlhaff, Chief Analyst for Fiscal Research and Budget Analysis; David Ortbahn, Chief Analyst for Research and Legal Services; Scott Darnall, Information Technology Manager; and Cindy Tryon, Senior Secretary.

NOTE: For purpose of continuity, the following minutes are not necessarily in chronological order. Also, all referenced documents distributed at the meeting are attached to the original minutes on file in the Legislative Research Council office. This meeting was web cast live. The archived web cast is available at the LRC web site at <http://www.sdlegislature.gov/>.

Approval of the Agenda

Senator Gary Cammack said the agenda item addressing the investment council appointment will move to the top of the agenda.

A MOTION WAS MADE BY REPRESENTATIVE WINK, SECONDED BY REPRESENTATIVE HUNT, TO APPROVE THE AGENDA AS CHANGED. The motion prevailed on a voice vote.

Approval of the Minutes

A MOTION WAS MADE BY REPRESENTATIVE WINK, SECONDED BY REPRESENTATIVE HUNT, TO APPROVE THE MINUTES OF THE MAY 16, 2016, EXECUTIVE BOARD MEETING. The motion prevailed on a voice vote.

Investment Council Board Appointment

Representative Brian Gosch, Investment Council Subcommittee Chair, reported the subcommittee had interviewed Mr. Jeff Nelson for the vacancy on the Investment Council Board. Mr. Nelson was CEO of East River Electric in Madison, and has a long history of public service. The Investment Council Subcommittee does recommend appointing Mr. Nelson to the vacant position on the Investment Council Board.

Senator Scott Parsley said he has worked with Mr. Nelson at East River Electric for over 25 years and highly recommends Mr. Nelson for this position.

Representative Jim Bolin said that he is delighted to recommend Mr. Nelson for this position.

Senator Billie Sutton said he Investment Council Subcommittee's interview with Mr. Nelson went very well and from that it appears Mr. Nelson will work well with the other Board members, and he, too, strongly recommends Mr. Nelson for this position.

Senator Jim White said he serves on the Mitchell Technical Institute Board with Mr. Nelson and the technical institute has grown due in part to Mr. Nelson's insight and involvement.

A MOTION WAS MADE BY SENATOR PARSLEY, SECONDED BY REPRESENTATIVE HAWLEY, TO APPROVE THE RECOMMENDATION OF THE INVESTMENT COUNCIL SUBCOMMITTEE TO APPOINT MR. JEFF NELSON TO THE INVESTMENT COUNCIL BOARD. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Hagggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

LRC Management Reports

Ms. Sue Cichos, Deputy Director, reported Operations is working on finishing up session items and continuing on the project list. The Session Index has been compiled and distributed and the Session Laws are now available on the LRC website. PPARs for the staff have been completed. The focus is now on the interim study committees with the first committee to meet on June 15.

Mr. Doug Decker, Code Counsel, said any legislation that passed with an emergency clause will not be in the codified laws until LRC receives the completed files from West Publishing. Approximately 28 of the enacted bills for 2016 had an emergency clause, including the increase in the state sales tax. Mr. Decker said he is updating the rules drafting manual which is a resource for all state agencies when promulgating rules.

Mr. David Ortbahn, Chief Analyst for Research and Legal Services, reported the research staff is preparing for the interim study committees and is working on the issue memorandums requested by the Executive Board. State agencies continue proposing rules and the research staff reviews those proposals as they are submitted. Research is also preparing for next session, specifically working on the new member orientation and chair training programs. Mr. Ortbahn announced Ms. Amanda Reiss, Senior Legislative Attorney, has accepted a position with the Public Utilities Commission and will be leaving LRC on June 23.

Ms. Annie Mehlhaff, Chief Analyst for Fiscal Research and Budget Analysis, reported the vacant fiscal analyst position has been filled by Mr. Jeff Mehlhaff whose start date was June 9. Ms. Mehlhaff said one of the comments made by an analyst during performance appraisals was that the LRC needs to do better marketing of the services we provide. The staff is brainstorming ways to make legislators more aware that the LRC staff is there to give an unbiased view of any issue.

Representative Spencer Hawley asked if the LRC Fiscal staff has the same tools as the Bureau of Finance and Management (BFM). Ms. Mehlhaff said yes and they do confer with BFM to make sure only the most accurate information is shared with the legislators.

Senator Sutton asked who will be formulating the revenue projections now that Mr. Aaron Olson is no longer with LRC. Ms. Mehlhaff said that is still being decided but that Mr. Mehlhaff does have an economics background.

As to helping legislators become more aware of the LRC services, Senator Cammack suggested conducting different informational classes focusing on LRC services immediately following adjournment each day during the first week of session.

Mr. Scott Darnall, Information Technology Manager, said the IT staff continues to work on their list of projects. The work on the network structure is going very well. Mr. Darnall said he has been working with Ms. Mehlhaff to learn the budget system so he can better assist in getting the new budget system up and running.

Senator Phyllis Heineman asked for more information regarding the new budget system. Ms. Mehlhaff joined Mr. Darnall in responding to that question. Ms. Mehlhaff explained that it is the goal of the new system to provide a database containing all the budget information and the ability to do analysis using the new system.

Representative Hawley said it has been frustrating not having access to the One Note information the Appropriations committee members use and that with this new system perhaps all legislators will have access to the budget information.

Mr. Jason Hancock, Director, said the system can be set up to give all legislators access to this information if that is what the Legislature prefers. Senator Cammack added the Appropriations committee needs to be a part of making that decision.

Representative Roger Hunt said one of the purposes of the new budget system is to allow for all legislators to have a better understanding of the budget, which benefits all.

Budget Subcommittee Report

Senator Jim White, Chair, Budget Subcommittee, asked Ms. Mehlhaff to give the budget report. Ms. Mehlhaff said the subcommittee was tasked with providing a recommendation for LRC travel funds, and explained the process used for determining the recommendation.

A MOTION WAS MADE BY SENATOR WHITE, SECONDED BY REPRESENTATIVE HUNT, TO ALLOCATE THE FY17 NON-SESSION LEGISLATIVE TRAVEL, PER DIEM, AND REGISTRATION FEES BUDGET AS FOLLOWS: 37.1% (\$226,618) TO THE SENATE; 56.8% (\$346,602) TO THE HOUSE OF REPRESENTATIVES; 3.2% (\$19,376) TO THE NON-LEGISLATIVE MEMBERS APPOINTED TO LEGISLATIVE COMMITTEES; AND 2.9% (\$17,500) TO THE UNIFORM LAWS COMMITTEE. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Haggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

Facilities Report

Mr. Hancock gave an update on the Legislative Research Council (LRC) office area. The Bureau of Administration's Division of Buildings and Grounds (B&G) is planning to do a full remodel of the offices including replacing the air handling system, painting, replacing carpets, and other updates as needed. The plan now is to begin this project August 1 with the hope of moving back into the offices by mid-October.

Buildings and Grounds will also be moving the wall between Legislative Conference Rooms 1 and 2. This process triggered some additional changes to meeting rooms 464 and 423. Mr. Hancock shared a proposed new design for meeting room 464 and said the proposed changes were sent to the committee members who use that meeting room. Mr. Hancock shared the responses he received from some of those members.

Representative Bolin said room 464 has always seemed too small for the House Ag Committee meetings and suggested looking into switching rooms with the House Tax Committee that currently meets in room 414 at the same time as House Ag.

Representative Dean Wink, Speaker of the House, said the Board should take some time before taking action on the suggestion to change committee meeting rooms. Speaker Wink added that perhaps consideration should be given to reducing the number of members on the House Taxation Committee from 15 to 13.

A MOTION WAS MADE BY REPRESENTATIVE WINK, SECONDED BY REPRESENTATIVE HAGGAR, TO APPROVE THE RECOMMENDED RECONFIGURATION OF MEETING ROOM 464. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Hagggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

Technology Subcommittee Report

Senator Phyllis Heineman, Chair, Technology Subcommittee, asked Mr. Scott Darnall, IT Manager, to assist in giving the Technology Subcommittee report. All LRC staff and legislators received new email addresses when the new system was put in place. However, messages sent to the old addresses were forwarded for a certain time giving the public time to learn of the new addresses. Mr. Darnall said the LRC staff and legislator emails will no longer be forwarded from the BIT system as of June 30, 2016. A letter will be sent to those on the LRC system regarding this information. Any connections that have been made to our website will continue to be forwarded through the end of the 2017 session. BIT will contact all state agencies with that information.

Senator Heineman also reported a camera system for the chambers is being researched for possible use in the future, and that Ms. Cichos continues working on updating the information on the LRC website.

Senator Cammack asked if the new system will affect the legislators' personal email during session. Mr. Darnall explained with the personal email going through the LRC server, there will be some concerns with security. Senator Heineman said this security issue should be addressed during the new legislator orientation.

Representative Don Hagggar suggested messages regarding computer security be sent out periodically to all legislators. Mr. Darnall said that is a good suggestion for helping to address this issue.

Uniform Laws Commission Appointments

The Uniform Laws Commission (ULC), also known as the Commission on Uniform Legislation, has two vacancies for the South Dakota commission members. The Executive Board makes those appointments. The two members whose terms are ending are Mr. David Lust and Mr. Thomas Geu. Mr. Lust does not wish to be reappointed, Mr. Geu would like to continue serving on this Commission.

Representative Fred Romkema said Representative Tim Johns is interested in serving on this Commission and has the experience that makes him a qualified candidate. Representative Hunt said he concurred with the suggestion of appointing Representative Johns.

Senator Heineman asked how candidates learn of these vacancies so they know how and when to tell the Executive Board about their interest in serving on the ULC. Mr. Hancock explained that the vacancies are posted on the LRC website but no press release goes out regarding the appointments to the ULC. Some board members said that these vacancies are mentioned in the State Bar newsletter.

Senator Parsley said in the future he would like to have interested ULC candidates submit resumes, using the same procedure as when obtaining candidates for the Investment Council Board.

A MOTION WAS MADE BY REPRESENTATIVE GOSCH, SECONDED BY REPRESENTATIVE WINK, TO APPOINT REPRESENTATIVE TIM JOHNS AND TO REAPPOINT MR. THOMAS GEU TO THE UNIFORM LAWS COMMISSION. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Hagggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

Investment Council Report

Mr. Matt Clark, Executive Director, SD Investment Council, presented the document "Investment Council Update" ([Document #1](#)). Mr. Clark explained the sections of the document which includes assets managed; 529 scholarship update (transfers to Dakota Corps Scholarship program); investment council role and selection; investment officer compensation; and the compensation methodology.

Responding to questions from the committee, Mr. Clark said over \$10 million has been transferred to the South Dakota 529 scholarship program since September 2007. No tax dollars fund this program and anyone interested in investing in this fund can search South Dakota 529 Plan on the internet for more information. The Dakota Corps Scholarship Committee decides the distribution of these scholarships.

Retirement System Report

Mr. Rob Wylie, Executive Director, SD Retirement System, presented the document "State of the System and Projected Funded Status" ([Document #2](#)). Mr. Wylie discussed the Fair (Market) Value Funded Ratio and how the South Dakota ratio compares to other states' retirement systems' rates. Page four of the document shows that South Dakota's ratio stays around 100%, while other states' hovers between 70-80%.

Mr. Wylie said the SDRS will do informational meetings with newly appointed members of the Retirement Committees when the 2017 Session begins.

Executive Session

A MOTION WAS MADE BY REPRESENTATIVE WINK, SECONDED BY SENATOR HEINEMAN THAT THE EXECUTIVE BOARD GO INTO EXECUTIVE SESSION TO DISCUSS ITEMS RELATING TO PERSONNEL. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Hagggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

The Executive Board went into Executive Session at 2:00 p.m.

A MOTION WAS MADE BY SENATOR PARSLEY, SECONDED BY REPRESENTATIVE WINK, TO COME OUT OF EXECUTIVE SESSION. The motion prevailed on a voice vote.

The Executive Board came out of Executive Session at 3:30 p.m.

A MOTION WAS MADE BY REPRESENTATIVE HAGGAR, SECONDED BY SENATOR WHITE, TO APPROVE THE INVESTMENT COUNCIL'S RECOMMENDATION THAT THE STATE INVESTMENT COUNCIL OFFICER COMPENSATION FOR FY2017 BE COMPRISED OF A 4.5% INCREASE IN BASE SALARY, AND TO CONTINUE THE INVESTMENT INCENTIVE PERFORMANCE PLAN TO BE PAID FOLLOWING COMPLETION OF THE AUDIT. The motion prevailed on

a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Haggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

A MOTION WAS MADE BY SENATOR HEINEMAN, SECONDED BY REPRESENTATIVE BOLIN TO APPROVE THE LRC STAFF SALARY RANGE ADJUSTMENTS AS PRESENTED BY THE LRC DIRECTOR. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Haggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

A MOTION WAS MADE BY SENATOR WHITE SECONDED BY REPRESENTATIVE WINK TO MOVE THE BASE SALARY OF MR. JASON HANCOCK, DIRECTOR OF THE LRC, BY AN INCREASE OF 2.7% FOR FY2017. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Haggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

A MOTION WAS MADE BY REPRESENTATIVE WINK, SECONDED BY REPRESENTATIVE ROMKEMA, TO MOVE THE BASE SALARY OF MR. MARTY GUINDON, AUDITOR GENERAL, BY AN INCREASE OF 3.7% FOR FY2017. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Haggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

A MOTION WAS MADE BY REPRESENTATIVE HAWLEY, SECONDED BY SENATOR HEINEMAN, TO MAKE A RECOMMENDATION TO THE LEGISLATURE TO REAPPOINT MR. MARTY GUINDON TO ANOTHER EIGHT YEAR-TERM AS AUDITOR GENERAL FOR THE STATE OF SOUTH DAKOTA. The motion prevailed on a roll call vote with 12 voting AYE and 3 EXCUSED. Those voting AYE: Heineman, Parsley, Sutton, White, Bolin, Gosch, Haggar, Hawley, Hunt, Romkema, Wink, and Cammack. Those EXCUSED: Brown, Omdahl, and Johns.

Adjourn

A MOTION WAS MADE BY SENATOR SUTTON, SECONDED BY SENATOR PARSLEY, THAT THE EXECUTIVE BOARD BE ADJOURNED. The motion prevailed on a voice vote.

The Board adjourned at 3:50 p.m.